|  |  |  |
| --- | --- | --- |
| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Audit Program – Investments | |
| **Ref. no.:** |  | |
| **Prepared by:** | ${user} | **Date:** |
| **Approved by Manager:** | ${manager} | **Date:** |
| **Approved by Partner:** | ${partner} | **Date:** |

The engagement team followed this audit program in the audit of investments. Where applicable, the audit program was tailored and bespoke audit procedures were added.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Audit objectives** | **Assertions** | **Risk assessment** | | | | |
| **IR** | | **CR** | | **CRA** |
| 1. Investments are completely and accurately recorded. | CAK |  | |  | |  |
| 1. All recorded investments actually exist. | E |  | |  | |  |
| 1. Investments recorded are owned by the client and title is also in the name of client. | R |  | |  | |  |
| 1. Investments are recorded at appropriate values. | V |  | |  | |  |
| 1. Dividend income/ interest income/ impairment/ gain/loss due to change in fair value/ gain/loss on disposal has been appropriately accounted for and disclosed. | OCATL |  | |  | |  |
| 1. Investments in subsidiaries/associates were in accordance with laws and regulations. | Laws and Regulations |  |  | |  | |
| 1. Investments are presented and all disclosures have been given in accordance with the Fourth/Fifth Schedules of the Companies Act, 2017 and relevant IAS/IFRS. | OCALRVU |  |  | |  | |
| **Audit procedures which satisfy audit objectives (depending on the model (cost or fair value) adopted by the client)** | **Links** | | **Ref. no.** | | | |
| **Test of Controls** | | | | | | |
| 1. Document the key elements of understanding of the process, including activities in relation to: 2. Initiation and authorization; 3. Recording and processing of relevant transaction(s) and relevant I.T. applications, if any; and 4. Preparation of relevant disclosures.   Evaluate the design of system of internal control by enquiring relevant client personnel and documenting the same (if documented system manual has not been developed by the client). A walk through test would be necessary to confirm the understanding as documented. Identify the preventive (exercised before occurrence of transactions and event) and detective (exercised after occurrence of transactions and event) controls established by management to support its claims and determine whether they have been implemented. |  | |  | | | |
| 1. To test their effective operation, check on sample of selected transactions covering the whole period that all preventive controls are exercised on all transactions. |  | |  | | | |
| 1. To test their effective operation, check on a sample of transactions that detective controls are exercised and in case of any detection of fraud/error, proper steps have been taken to avoid recurrence of the same. |  | |  | | | |
| 1. Check that proper subsidiary records have been maintained and entries are made in the same on prompt and consistent basis and the same is reconciled with general ledger. |  | |  | | | |
| 1. Check for board’s approval for investments in subsidiaries and associates. |  | |  | | | |
| 1. Ensure that management does not override the designed controls by: 2. Enquiring from the designated staff person; and 3. Remaining skeptical during performing test of design and test of effective operation. |  | |  | | | |
| 1. Ensure that reliance on the testing of controls at the interim stage or in earlier years is only relied upon where it is appropriate to do so. |  | |  | | | |
| 1. Document the conclusion after performing test of controls and required level of assurance from substantive procedures. |  | |  | | | |
| **Test of Details** | | | | | | |
| 1. Obtain movement schedule of investments (shares, TFCs, PIBs etc.) both for number and amounts as well as of accrued income and income earned and received during the year. Check casting and cross casting of the schedule. |  | |  | | | |
| 1. Trace opening balances from investments' subsidiary records, general ledger and last year’s working papers. |  | |  | | | |
| 1. In case of initial audit engagements: 2. Read the most recent financial statements, if any, and the predecessor auditor’s report thereon, if any, for information relevant to opening balances, including disclosures. 3. Obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period’s financial statements by: 4. Determining whether the prior period’s closing balances have been correctly brought forward to the current period or, when appropriate, have been restated; 5. Determining whether the opening balances reflect the application of appropriate accounting policies; and 6. Performing one or more of the following: 7. Where the prior year financial statements were audited, reviewing the predecessor auditor’s working papers to obtain evidence regarding the opening balances; 8. Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances; or 9. Performing specific audit procedures to obtain evidence regarding the opening balances. 10. If the evidenced that the opening balances contain misstatements that could materially affect the current period’s financial statements, then perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period’s financial statements. If concluded that such misstatements exist in the current period’s financial statements, then communicate the misstatements with the appropriate level of management and those charged with governance. 11. Obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period’s financial statements, and whether changes in the accounting policies have been appropriately accounted for and adequately presented and disclosed. |  | |  | | | |
| 1. Inquire about or review the information in prior year working papers concerning the nature of each significant investment and the policies and procedures used to account for them. Determine whether the accounting treatment is correct and applied consistently. |  | |  | | | |
| 1. For selected investments held by client at year end: 2. Inspect supporting documents to check existence e.g. CDC report, account statements etc. 3. Ensure that the recoverable amount is not less that carrying amount, if yes, check whether it is permanent decline and if yes book the impairment. |  | |  | | | |
| 1. For selected additions to investments during the year: 2. Check supporting documents for date of purchase, description and number of shares/units, amount etc. e.g. brokers notes. 3. Check the payments from bank statements. |  | |  | | | |
| 1. For selected investments disposed-off during the year: 2. Check supporting documents of investments sold for date of disposal, description, number of shares/units, amount etc. e.g. brokers notes. 3. Check the receipts from bank statements. 4. Calculate the gain or loss on sale of investment and trace the amount transferred to the profit and loss account. |  | |  | | | |
| 1. Ascertain the nature of each significant investment and check whether they have been correctly classified. |  | |  | | | |
| 1. Check that the computation of valuation of investments in subsidiaries, joint ventures and associates is made as per the accounting policies of the client. |  | |  | | | |
| 1. Obtain and re-compute amortization schedule and check its accuracy for fixed interest securities whether purchased at premium or discount. |  | |  | | | |
| 1. Check redemptions of principal during the year and obtain supports to ascertain the overdue installments. Check if such payments were as per the terms of the redemption agreement. |  | |  | | | |
| 1. Re-perform the marked to market valuation of PIBs and TFCs at year end to check the valuation of these securities. |  | |  | | | |
| 1. For selected investments, compute market value as under: 2. For quoted investments, trace market value from independent published quotations e.g. KSE quotation, MUFAP quotes, account statements, etc. 3. For unquoted investments, calculate breakup value of shares from respective company's financial statements. |  | |  | | | |
| 1. Check that brokerage expenses are appropriately accounted for. |  | |  | | | |
| 1. Where any lien marked on the investments, check the disclosure thereof. |  | |  | | | |
| 1. Perform cut-off at year end. |  | |  | | | |
| 1. Obtain the schedule of capital gain earned/ dividend income/ interest income accrued and earned and received during the year. |  | |  | | | |
| 1. Ensure that accrual of dividend income is made only where AGM is held before year end. |  | |  | | | |
| 1. Ensure proper accounting treatment of bonus share received and right shares subscribed. |  | |  | | | |
| 1. Check the accrual of interest and amortization of premium/discount on fixed income securities with the one calculated on IRR basis. |  | |  | | | |
| 1. Make a selection of accruals and examine documents supporting the amounts of investment income and proper deduction of tax thereon (e.g. rates from published quotations, dividend warrants). |  | |  | | | |
| 1. Check for subsequent recovery of investment income accrued at period end. |  | |  | | | |
| 1. All investments in subsidiaries and associates should comply with the board's specific approval and in accordance with the requirements of Companies Act, 2017. |  | |  | | | |
| 1. Ensure that closing balances as per our working papers are in match with the general ledger. |  | |  | | | |
| 1. Determine that disclosures have been made in accordance with the requirements of Fourth/Fifth Schedule to the Companies Act, 2017 and the applicable IAS/IFRS. |  | |  | | | |
| 1. Select significant accounting estimates for testing: 2. Those that are subject to high estimation uncertainty; and 3. Those that are based on methods, assumptions and data and selection of management’s point estimate and related disclosures for inclusion in the financial statements affected by high complexity, subjectivity, or other inherent risk factors. |  | |  | | | |
| 1. Perform a retrospective review of significant accounting estimates reflected in the financial statements of the prior year to review the outcome of accounting estimates included in prior period financial statements or, their subsequent re-estimation for the purpose of the current period. |  | |  | | | |
| 1. Consider the results of this retrospective review in evaluating the current year estimates. If we identify a possible bias on the part of management in making prior year accounting estimates, we should evaluate whether circumstances producing such a bias represent a risk of a material misstatement due to fraud. |  | |  | | | |
| 1. Consider whether differences between estimates best supported by the audit evidence and the estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the management. If so, reconsider estimates taken as a whole. |  | |  | | | |
| 1. Inquire and consider available evidence, if any, to identify all related parties. Obtain a schedule of related party balances and determine that all identified related parties with balances at year end are included in the schedule. Trace the amounts in the schedule to the trial balance. |  | |  | | | |
| 1. Determine that the economic substance of the related party transactions and balances supports their recording. |  | |  | | | |
| 1. Evaluate the appropriateness of presentation and disclosure of related party transactions and balances. |  | |  | | | |
| 1. Consider circularizing direct confirmation requests for positive confirmation of material balances with related parties. |  | |  | | | |
| 1. If significant transactions that are outside the normal course of business or that otherwise appear to be unusual, are identified, inspect the underlying contracts or agreements, if any, and evaluate whether: 2. Whether the business rationale (or the lack thereof) suggests that the transactions may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. 3. The terms of the transactions are consistent with management’s explanations; and 4. The transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. |  | |  | | | |
| 1. Check that such transactions have been appropriately approved and authorized. |  | |  | | | |
| 1. If management has made an assertion in the financial statements to the effect that the related party transaction was conducted on an arm’s length basis, obtain evidence about the assertion. |  | |  | | | |
| 1. Consider whether the transactions involve previously unidentified or undisclosed related parties or parties that do not have the substance or the financial strength to support the transaction without assistance from the client. |  | |  | | | |
| **Test of Details (Derivatives)** | | | | | | |
| 1. Obtain a movement schedule of derivatives. Check casting and cross casting of the schedule. |  | |  | | | |
| 1. Trace the opening balances from the general ledger, subsidiary records, and last year working papers. |  | |  | | | |
| 1. In case of initial audit engagements: 2. Read the most recent financial statements, if any, and the predecessor auditor’s report thereon, if any, for information relevant to opening balances, including disclosures. 3. Obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period’s financial statements by: 4. Determining whether the prior period’s closing balances have been correctly brought forward to the current period or, when appropriate, have been restated; 5. Determining whether the opening balances reflect the application of appropriate accounting policies; and 6. Performing one or more of the following: 7. Where the prior year financial statements were audited, reviewing the predecessor auditor’s working papers to obtain evidence regarding the opening balances; 8. Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances; or 9. Performing specific audit procedures to obtain evidence regarding the opening balances. 10. If the evidenced that the opening balances contain misstatements that could materially affect the current period’s financial statements, then perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period’s financial statements. If concluded that such misstatements exist in the current period’s financial statements, then communicate the misstatements with the appropriate level of management and those charged with governance. 11. Obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period’s financial statements, and whether changes in the accounting policies have been appropriately accounted for and adequately presented and disclosed. |  | |  | | | |
| 1. Obtain independent confirmation of holding from custodian. |  | |  | | | |
| 1. Confirm significant terms with the holder of, or counterparty to, the derivative; and inspect underlying agreements and other forms of supporting documentation, in paper or electronic form. |  | |  | | | |
| 1. Check that the computation of valuation of derivatives is made as per the accounting policies of the client. |  | |  | | | |
| 1. Obtain evidence corroborating the fair value of derivatives measured or disclosed at fair value and check that the model and assumptions used in valuation of derivatives is appropriate. |  | |  | | | |
| 1. Check for existence of embedded derivatives and ensure compliance with the requirements of IFRS 9. |  | |  | | | |
| 1. Where derivative is designated as a hedging instrument, obtain hedge documentation prepared at inception of hedge and check whether it meets the criteria of eligible hedging instrument. Also check whether the hedge was effective during the year. |  | |  | | | |
| 1. Ensure that closing balances as per our working papers are in match with the general ledger. |  | |  | | | |
| 1. Determine that disclosures have been made in accordance with the requirements of Fourth/Fifth Schedule to the Companies Act, 2017 and the applicable IAS/IFRS. |  | |  | | | |
| 1. Select significant accounting estimates for testing: 2. Those that are subject to high estimation uncertainty; and 3. Those that are based on methods, assumptions and data and selection of management’s point estimate and related disclosures for inclusion in the financial statements affected by high complexity, subjectivity, or other inherent risk factors. |  | |  | | | |
| 1. Perform a retrospective review of significant accounting estimates reflected in the financial statements of the prior year to review the outcome of accounting estimates included in prior period financial statements or, their subsequent re-estimation for the purpose of the current period. |  | |  | | | |
| 1. Consider the results of this retrospective review in evaluating the current year estimates. If we identify a possible bias on the part of management in making prior year accounting estimates, we should evaluate whether circumstances producing such a bias represent a risk of a material misstatement due to fraud. |  | |  | | | |
| 1. Consider whether differences between estimates best supported by the audit evidence and the estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the management. If so, reconsider estimates taken as a whole. |  | |  | | | |
| 1. Inquire and consider available evidence, if any, to identify all related parties. Obtain a schedule of related party balances and determine that all identified related parties with balances at year end are included in the schedule. Trace the amounts in the schedule to the trial balance. |  | |  | | | |
| 1. Determine that the economic substance of the related party transactions and balances supports their recording. |  | |  | | | |
| 1. Evaluate the appropriateness of presentation and disclosure of related party transactions and balances. |  | |  | | | |
| 1. Consider circularizing direct confirmation requests for positive confirmation of material balances with related parties. |  | |  | | | |
| 1. If significant transactions that are outside the normal course of business or that otherwise appear to be unusual, are identified, inspect the underlying contracts or agreements, if any, and evaluate whether: 2. Whether the business rationale (or the lack thereof) suggests that the transactions may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. 3. The terms of the transactions are consistent with management’s explanations; and 4. The transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. |  | |  | | | |
| 1. Check that such transactions have been appropriately approved and authorized. |  | |  | | | |
| 1. If management has made an assertion in the financial statements to the effect that the related party transaction was conducted on an arm’s length basis, obtain evidence about the assertion. |  | |  | | | |
| 1. Consider whether the transactions involve previously unidentified or undisclosed related parties or parties that do not have the substance or the financial strength to support the transaction without assistance from the client. |  | |  | | | |
| **Substantive Analytical Procedures** | | | | | | |
| 1. Document logical commercial reasons for major additions and disposals made during the year. |  | |  | | | |
| 1. Compare current year balances and income and expense with last year amounts and ensure that any significant variation should be properly and logically reasoned. |  | |  | | | |